



*United States Attorney  
Southern District of New York*

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SEPTEMBER 1, 2005

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**UNITED STATES ATTORNEY SEEKS CIVIL FORFEITURE  
OF \$100,010,673.68 AND OTHER ASSETS OF BAYOU FUNDS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that the United States Attorney's Office for the Southern District of New York (the "Office") has filed a civil forfeiture action against all of the assets of Bayou Accredited Fund, LLC; Bayou Affiliates Fund, LLC; Bayou No Leverage Fund, LLC; Bayou Superfund, LLC; Bayou Securities, LLC; Bayou Management, LLC; and Bayou Fund LLC, including approximately \$100,010,673.68 presently subject to an Arizona state court seizure order. The Complaint alleges that the property is subject to civil forfeiture as the proceeds of mail fraud, wire fraud and securities fraud.

According to the Verified Complaint in the civil forfeiture action, Bayou was formed in or about June 1996 and some of the funds were opened to investors in or about January 1997. From in or about 1998 through in or about August 2005, Bayou's financial statements and other documents overstated gains, understated losses, and reported gains where there were

losses. For example, the "audited" financial statements for the year ended 12/31/03 reported that the Bayou Superfund had approximately \$192,000,000 in assets and a net gain from trading in the amount of approximately \$27,000,000. In reality, at the end of 2003, the Bayou Superfund had a total value of approximately \$53,600,000 and it lost \$35,000,000 in trading.

The Complaint further alleges that a phony accounting firm, Richmond-Fairfield Associates, was created and held out as an independent certified public accounting firm that purported to audit and certify Bayou's false financial statements. In fact, Richmond-Fairfield Associates was a sham and conducted no audits, independent or otherwise.

According to the Complaint, the effect of these false statements was to induce investors to invest in excess of \$300 million between 1998 and 2005 in the Bayou funds, and to lull existing investors into retaining their investments in Bayou.

The property alleged to be subject to forfeiture includes approximately \$100,010,673.68 presently subject to an Arizona state court seizure order. According to the Complaint, these funds had been transferred by Bayou in connection with purportedly legitimate private placement transactions, or "programs," that would produce above-average rates of return - in some cases, 100% per week. In connection with these "programs," Bayou transferred investor funds through various banks located in New York, London, Hamburg, back to London, and ultimately to an

account in Flemington, New Jersey. According to the Complaint, these "programs" have some, if not all, of the characteristics of frauds known in the law enforcement community as "prime bank instrument" and "high yield program" frauds.

In or about May 2005, the Arizona Attorney General's Office, after conducting an investigation regarding the origin of the \$100,010,673.68 then on deposit in the Flemington, New Jersey account, concluded that the funds were the proceeds of a fraudulent prime bank instrument scheme and commenced a forfeiture action and seized the funds. The Complaint seeks forfeiture of the same funds based upon the alleged Bayou fraud, but the United States will not take action to seize the funds until the Arizona court relinquishes jurisdiction over them.

According to the Complaint, upon entry of a final order of forfeiture in the civil action, the Office will request that the forfeited property be distributed *pro rata* to victims of the fraud offenses perpetrated by and through Bayou.

Mr. KELLEY praised the efforts of the Federal Bureau of Investigation, the United States Securities and Exchange Commission and the Commodity Futures Exchange Commission in this investigation.

Assistant United States Attorneys MARGERY B. FEINZIG and BARBARA A. WARD are in charge of the civil forfeiture action.

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